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WEBSTER, MAN WHO CLEANED UP FBI, WILL TRY FOR ENCORE AT CIA
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Central Intelligence Agency (CIA) Director-designate William Webster faces a tough challenge -- restoring the morale and public image of a spy agency badly bruised by the Iran scandal.

Webster, a former federal judge who has served nine years as FBI director, is familiar with such tasks. He is credited with repairing the reputation of the nation's premier law enforcement agency after it was rocked by scandals in the 1970s.

"His confirmation (by the Senate) should be as smooth as silk," David Phillips, a former CIA official and strong Webster backer, told Reuters.

But Webster may face operational problems at the CIA following embarrassing revelations that the United States secretly sold arms to Iran and that U.S. officials may have improperly diverted arms sale profits to Nicaraguan rebels known as "contras."

Potential secret allies "must now think long and carefully about whether the United States is able to keep anything quiet," former CIA Deputy Director George Carver said in an interview.

Phillips said the agency now will probably enter a quiet period, with fewer clandestine undertakings.

Webster was named by President Reagan to replace former Director of Central Intelligence William Casey, who is suffering from brain cancer and resigned last month.

Reagan's first choice to replace Casey, CIA Deputy Director Robert Gates, withdrew after drawing criticism for his own conduct in the Iran affair.

Webster will take control of a CIA under fire for relinquishing its responsibilities in the Iran operation.

The White House-appointed Tower Commission charged in a report on the Iran scandal last week that Casey and his top aides surrendered control of key secret operations to White House aide Oliver North, who was sacked last November, accused of diverting Iran arms profits to the contras.

The Tower report said North's operation was amateurish, unwisely sought to sell arms to Iran in exchange for U.S. hostages in Lebanon, and exposed Reagan to great political risks. It has led to Reagan's greatest political crisis.

"Casey ... appears to have acquiesced in and to have encouraged North's exercise of direct operational control Director Casey should have ... pressed for operational responsibility to be transferred to the CIA," the report said.

Reagan was unaware that North, not the CIA, was running the operation, and he should have been told, the report said.

It said Casey had known for a month before the story broke that Iran arms funds may have been diverted to the contras. The report faulted him for not raising strenuous objections.

Former intelligence officials said in interviews that Webster will face a dilemma in the scandal's aftermath.

He must reassert the primacy of the CIA in the back alley world of secret operations.

But he must also comply with a law requiring that Congress be notified of such operations, running the risk of news leaks.

It was fear of news leaks, the former officials said, that led North to hold the operation within the White House National Security Council, where the president's staff insisted there was no legal requirement to inform Congress.

In the event, Iranian officials leaked news of the arms deal.

Webster, widely credited with restoring an FBI damaged by revelations of illegal domestic spying, is reputed to be a stickler for legality and will probably be scrupulous in keeping Congress informed of CIA activities, intelligence sources say.

That could increase the risk that secret operations would be exposed.

Webster's nomination may raise the hackles of CIA officials who do not like the idea of an FBI chief becoming their boss. There has long been friction between the agencies, which share responsibility for counter-spy operations.

But Phillips, a former CIA official, said Webster would actually be in a strong position to eliminate the friction and serve as a kind of bridge between the CIA and FBI.

The new director could be questioned in Senate confirmation hearings about his own role in the Iran investigation.

Last December he told reporters the FBI had found no evidence any White House records had been destroyed prior to disclosure of the Nicaragua connection on November 25.

But Fawn Hall, North's White House secretary, has since told investigators she helped North destroy sensitive documents and altered four memos.

The Justice Department, citing "national security", convinced the FBI to sidetrack for nearly a month late last year a probe into Southern Air Transport, a cargo carrier involved in arms shipments to Iran and the contras.